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16 Companies Get Major Share Of Profits in Arms Sales by U.S.

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WASHINGTON, July 21—The largest portion of the profits from \$12.6-billion in arms sales by the United States Government since the middle of 1961 has apparently gone to about 16 major American companies.

The leading profit-makers have been the American aerospace industries.

Defense Department statistics show total sales to June 30, 1966, of almost \$3.6-billion in military planes manufactured by three companies—General Dynamics Corporation, Lockheed Aircraft Corporation and McDonnell Aircraft Company. Statistics on sales during the fiscal year ended last June 30 are not available.

Lockheed had the highest sales, \$1.5-billion. They included \$857.7-million worth of F-104 Starfighter jets, primarily to Japan and nations belonging to the North Atlantic Treaty Organization; \$525.1-million in C-130 Hercules transport craft, and \$76.5-million in P-3A Orion antisubmarine aircraft.

General Dynamics and McDonnell were not far behind, however. Statistics show sales of more than \$1-billion in General Dynamics's multipurpose attack jet, the F-111; and more than \$1-billion in McDonnell's F-4 Phantom fighter-bombers. The bulk of both sales went to Britain and Australia, although a 1966 sale of \$135-million in Phantoms to Iran has also been announced.

Polaris Sales Profitable

Lockheed and General Dynamics have, in addition, realized sizable profits from the \$638-million in sales of Polaris missiles to Britain. The Polaris intercontinental ballistic missile was developed in a joint venture by the two companies.

Other aerospace concerns have enjoyed smaller but still significant arms exports.

Sales of \$147-million in the Northrop Corporation's F-5 Freedom Fighters and T-38 jet trainers have been made to a number of countries, including Morocco. Ling-Temco-Vought, Inc., has exported \$67-million in F-8E Crusader Fighters, the Boeing Company has had sales of \$53-million in C-135 transports and Grumman Aircraft Engineering Corporation has received orders for \$23.3-million in antisubmarine aircraft.

Sales of missiles manufactured by leading electronics companies have also been substantial.

The Martin-Marietta Corporation exported \$253-million in Pershing missiles and the Sperry Rand Corporation received orders for \$165-million in Sergeant missiles. These have gone to the NATO countries, but some of the \$291-million in sales of Hawk anti-aircraft missiles for the Raytheon Company have been made to developing nations, including Israel and Saudi Arabia.

Destroyers Sold to Germany

The largest part of the military shipbuilding orders, \$281.6-million, has gone to the Bath Iron Works Corporation and the Defoe Shipbuilding Company for guided missile destroyers for Germany. Other shipbuilders, however, have participated in \$73.5-million in additional military exports.

The biggest orders for armored assault vehicles have gone to the FMC Corporation of San Jose, Calif., and the Chrysler Corporation.

FMC has obtained sales of \$243.5-million in M-113 armored personnel carriers, including exports to Israel and Jordan. Chrysler has received commitments for at least \$154.2-million in M-60 tanks.

General Motors Corporation has sold \$56.5-million in 105-mm. howitzer artillery and the Pacific Car and Foundry Company has obtained \$38-million in sales of 175-mm. guns.

In addition to these 16 major armament concerns, other electronics, communication, munitions, automotive and research and engineering companies, as well as the subcontractors of the major concerns, have realized profits.

A pamphlet published last December by the office of Henry J. Kuss Jr., the Defense Department's arms salesman, listed 97 companies that had received significant military export orders.

These included the International Telephone and Telegraph Corporation, the Ford Motor Company, the Dow Chemical Company, Hercules, Inc., the Bulova Watch Company, Inc., and other well-known American companies.

Profit Margins Not Known

No statistics are available on the percentage of profits realized by individual companies. There is no doubt, however, that they have been substantial.

In a speech in the spring of last year, Mr. Kuss said that the more than \$9-billion in sales, which his office had made by that time, would bring nearly \$1-billion in profits to American industry and about 1.2 million man-years of employment spread through all 50 states and the District of Columbia.

In closed hearings before the House Currency and Banking Committee earlier this week, senior Administration officials also stressed the benefits to American industry as a major reason for continuing the arms export program.

Besides the profits earned from direct exports, the armament concerns also obtain royalties from the licensing of foreign companies to manufacture American weapons. Canada, for example, is now building Northrop F-5 Freedom Fighters and Belgium will soon follow.

Technology Is Exported

Profits are also made simply by exporting technical information on weaponry to foreign concerns or governments.

The business is so complex and the relationship between the Government and industry so interlocking that it is virtually impossible to determine where Government action begins and industry action ends.

Mr. Kuss, for example, is now attempting to encourage more companies to join the export trade through a joint Government-industry body called the Defense-Industry Advisory Council Committee on Military Exports. The committee, headed by Mr. Kuss, includes technicians and executives from more than 23 concerns.

The United States Government has, however, been the major driving force behind the sales. The term Government sales is applied to the \$12.6-billion total because it includes both weaponry first bought by the Government and resold, and other military equipment exported directly by the companies under the supervision of Mr. Kuss's office.

In addition to the \$12.6-billion in Government sales there have been other private exports, but no statistics are available on these.